

MISSOURI RETAIL TRADE ANALYSIS 2000-2007



Table of Contents

Missouri Retail Trade	1
Retail Trade Sectors	2
Retail Trade Measures	3
Retail Trade 2000-2004	4
Retail Trade 2004-2007	7
Retail Sales Sector Trends	9
Apparel Retail Sector.....	10
Automotive Retail Sector.....	13
Building Material Retail Sector	16
Eating and Drinking Retail Sector	19
Food Retail Sector.....	22
Furniture Retail Sector	25
Miscellaneous Retail Sector.....	28
General Merchandise Sector	31
Conclusions.....	34

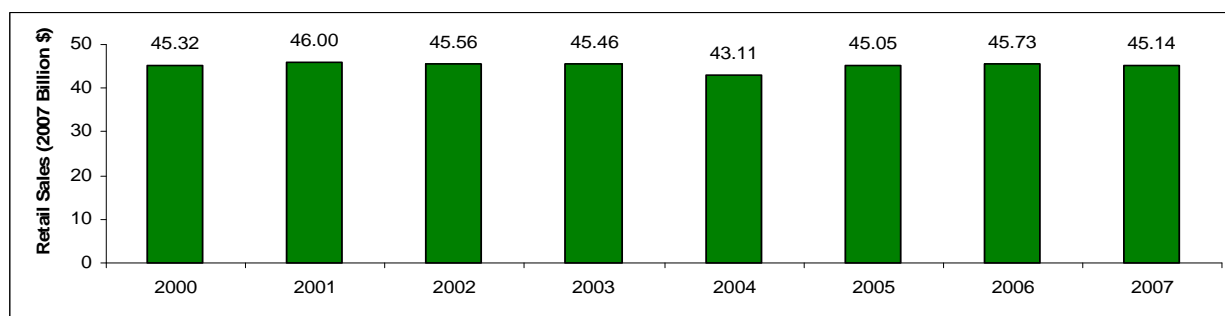
Missouri Retail Trade

Retail trade is the sale and distribution of merchandise to consumers through either a store location or non-store location such as internet, phone, catalog or advertising. Retail trade is one of the key economic indicators of an economy. The retail strength of a county is a function of customer base, the buying power of the customer base and quality of the retail environment.

The retail sales in Missouri were measured by pull factors and market share. Retail Pull factor is used to measure leakages and monitor retail trade across counties. Retail Pull factor is a relative measure of retail trade captured by a county over a specific time period. Market share is the percentage of market retail trade a county captured over a specific time period.

In 2007, Missouri generated \$45.14 billion in retail trade compared to \$45.32 billion in 2000. Between 2000 and 2004, retail sales increased 4.7% to \$43.11 billion. Retail sales in Missouri increased from 2000 to its peak in 2001, but declined from 2001-2004 owing to the recession of 2001. However, retail sales increased between 2004 and 2006, but declined by 1.3% in 2007 due to the sub-prime mortgage housing crisis and an increasing percentage of internet retail sales.

Total Retail Sales in Missouri 2000-2007



Source: Taxable Sales Data, Missouri Department of Revenue

During 2004-2007 retail trade employment and wages increased at 1.3 % and 1.53%, respectively. However, during the same period, the number of retail trade establishments declined by over 3%. In 2007, retail trade sector employed 316,882 workers (13.81% of the state's employment) paying over \$7.5 billion in wages (8.45% of state wages) across Missouri. The average annual wage of a worker in the retail trade sector increased to \$23,787 in 2007 from \$23,734 in 2004.

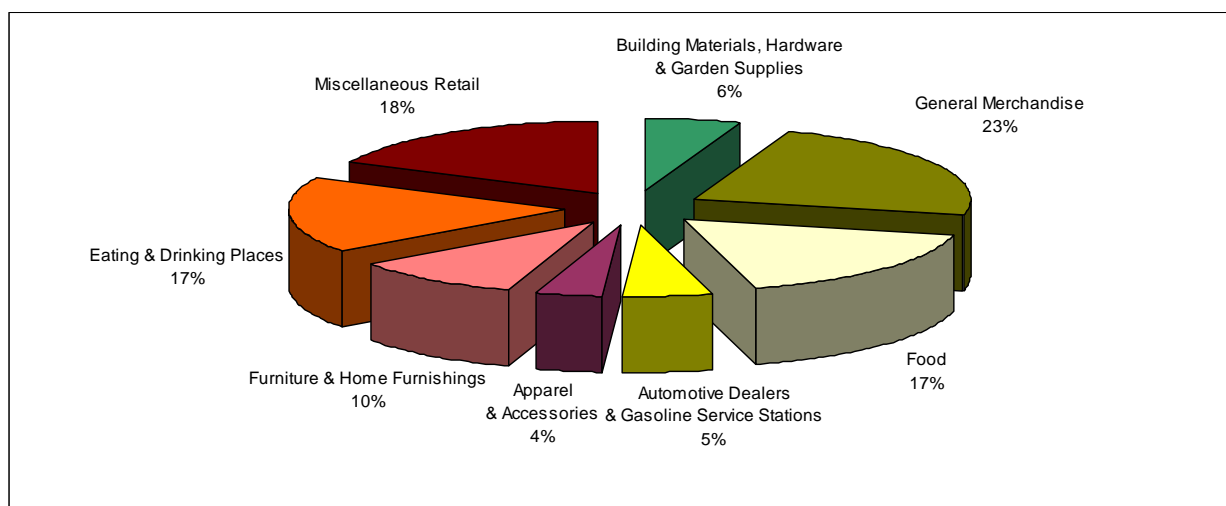
Employment, Wages and Retail Trade Establishments in Missouri, 2004-2007

Indicator					2004-2007
	2004	% of Missouri	2007	% of Missouri	% change
Establishments	18,315	12.47%	17,763	11.60%	-3.01%
Employment	312,802	14.12%	316,882	13.81%	1.30%
Wages	\$7.42 B	9.57%	\$7.53 B	8.45%	1.53%
Average wage per job	\$23,734		\$23,787		0.22%

Source: Quarterly Census of Employment and Wages, Bureau of Labor Statistics

In 2007, in terms of percentage of retail sales by industry, a majority of retail sales were in the general merchandise sector at 23%, followed by miscellaneous retail at 18% and food as well as eating and drinking places at 17% each. Furniture and home furnishings, building materials, apparel and automotive dealers accounted for the balance of retail sales (25%) in Missouri.

Percent Retail Sales in Missouri by Detailed Industry, 2007



Retail Trade Sectors

According to the North American Industrial Classification System (NAICS) definition of retail trade, retail establishments sell goods and services without transformation and render services incidental to the sale of merchandise to local customers.

According to the Bureau of Economic Analysis (BEA), a retail trade establishment is defined as an organized place of business that sells goods and services in small quantities to local customers at a convenient location. The retail establishments are classified chiefly by the type of goods and services offered. Retail sales sectors are defined by the Bureau of Labor Statistics (BLS) as a series of NAICS (North American Industrial Classification System) or SIC (Standard Industrial Classification) codes.

NAICS and SIC codes corresponding to Retail Trade Sectors

NAICS (3-digit)	SIC (2-digit)	Sector
448	56	Apparel and accessories
441	55	Automotive dealers and gasoline service
444	52	Building material, hardware and garden supplies
722	58	Eating and drinking
442	57	Home furniture and furnishings
445	54	Food
452	53	General Merchandise
443	59	Miscellaneous Retail

Retail Trade Measures

In order to assess the performance of the retail trade sector in a county relative to the state, retail trade pull factors were calculated. Pull factors estimate the number of customers and retail sales that a county attracts from neighboring counties. A retail trade pull factor greater than one indicates either a gain in customers from other counties or that residents spent more on retail goods than the state average. A retail trade pull factor less than one indicates residents either spent less than their state counterparts or residents purchased more goods outside their county. A retail trade pull factor of one indicates that the county is capturing all the retail trade in the local market or the local residents are spending exactly the same amount on retail sales as the state average.

The equation to compute pull factor is as follows:

$$Pull\ Factor_{sector} = \frac{Retail\ sales_{county}}{Adjusted\ population_{county}} \div \frac{Retail\ sales_{state}}{Adjusted\ population_{state}}$$

Market share is the percentage of retail trade area captured by a county with respect to the state. In other words, market share is the percent of the total customer base in Missouri captured by the county's retail trade. Trade area capture is computed by multiplying the adjusted population with the pull factor for a region. Trade area capture is a measure of the size of customer base.

The equation to compute market share is as follows:

$$Market\ share_{sector} = \frac{Trade\ area\ capture_{county}}{Trade\ area\ capture_{state}} = \frac{Adjusted\ population_{county} * PF_{sector}}{Adjusted\ population_{state} * PF_{sector}}$$

In computing the retail trade measures, it was assumed that the per capita income is homogenous across the state and the retail expenditure by resident population is assumed to be equal. It was also assumed that there are no leakages of retail consumers/sales outside the state of Missouri.

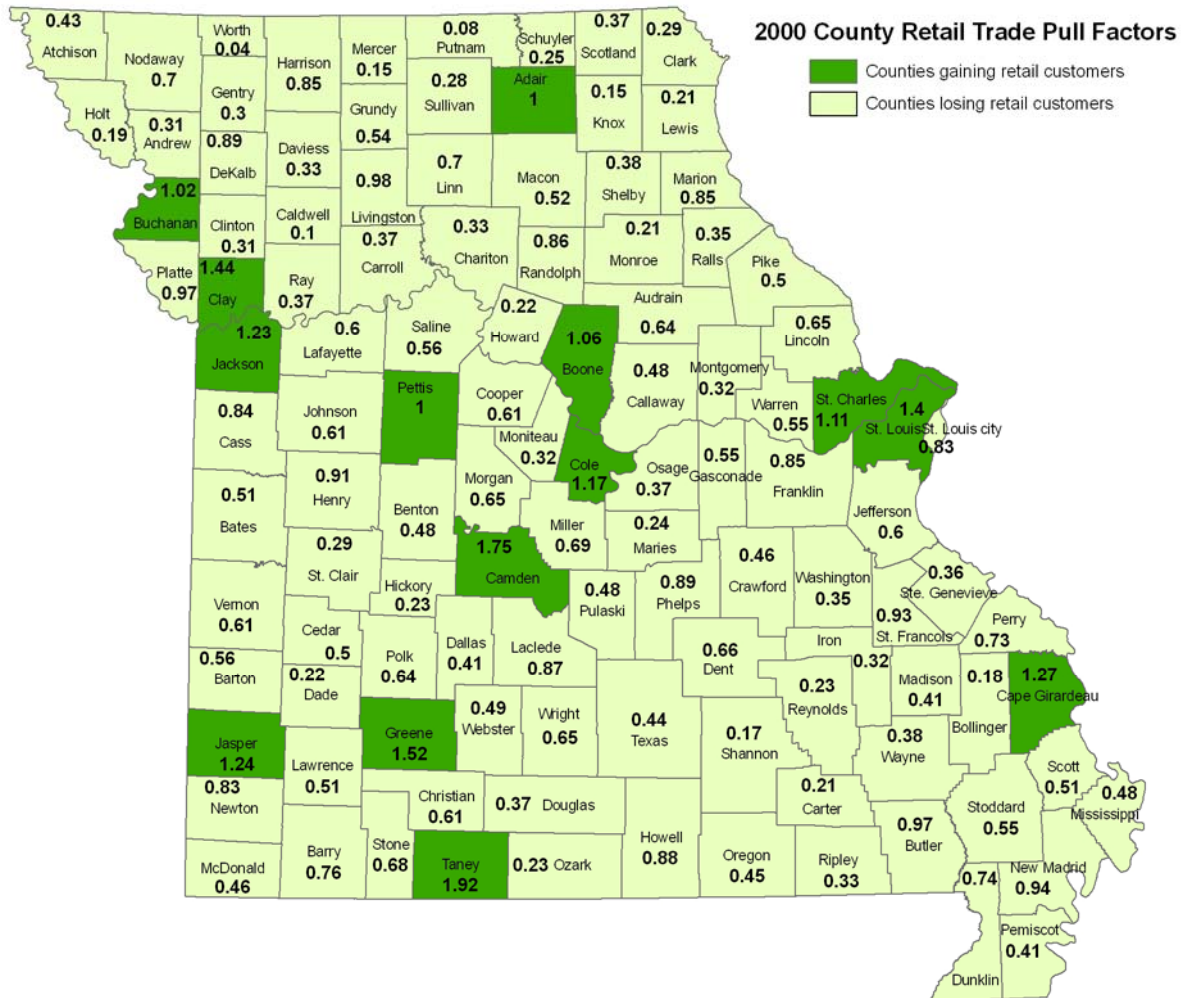
Both retail pull factors and market share were calculated based on taxable sales report data obtained from Missouri Department of Revenue. Taxable sales data consist of all sales reported by retail establishments. Taxable sales data does not include out-of-state, catalog, internet sales or sales data in counties with fewer than six retail establishments. Despite these limitations, taxable sales data captures a majority of retail sales and is a good measure of retail activity.

County and city population data were obtained from the Population Division of the US Census Bureau. Institutionalized population data were obtained from Office of Social and Economic Data Analysis (OSED), University of Missouri.

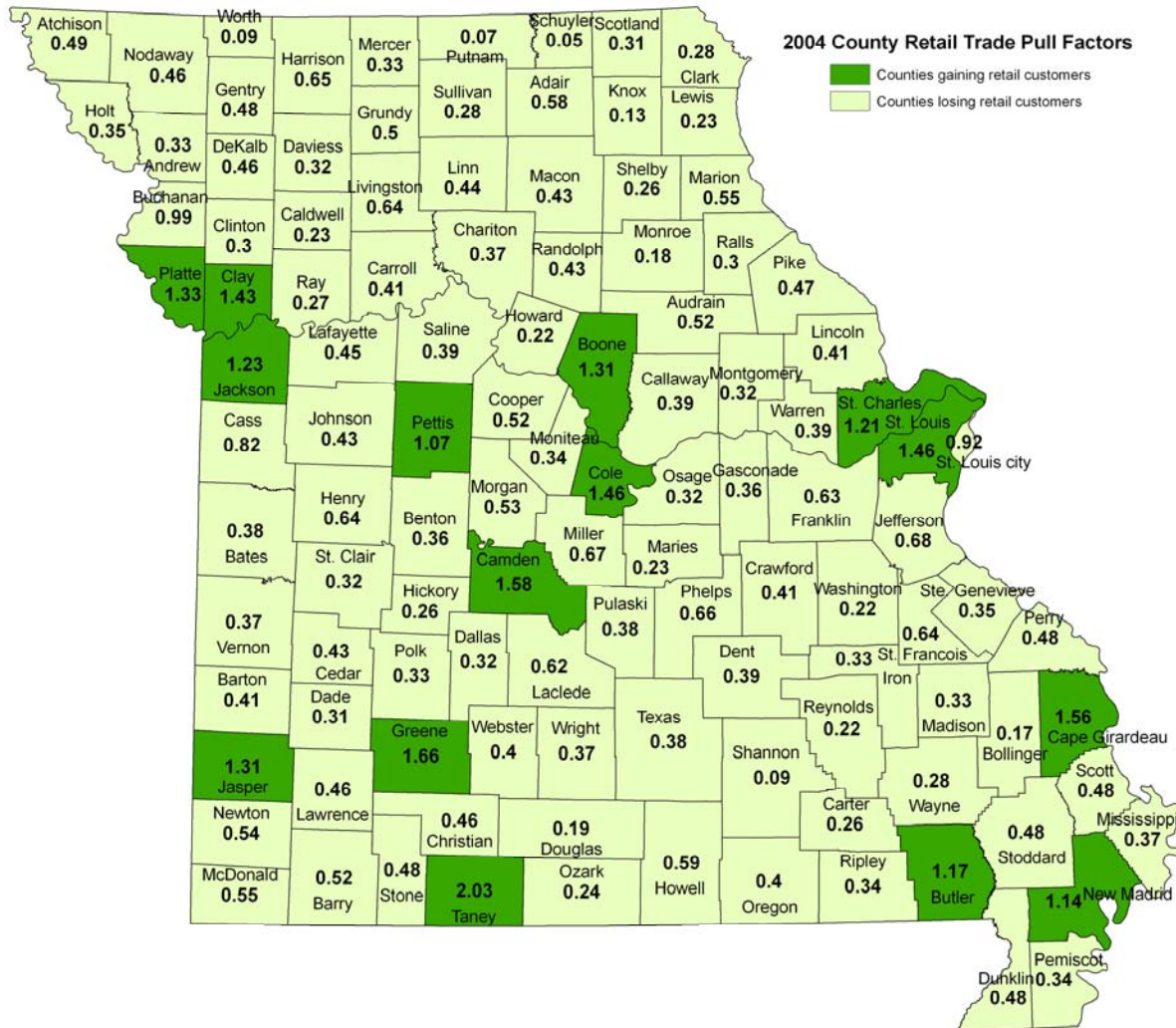
Employment and wage data for retail sectors across counties in Missouri was obtained from Quarterly Census of Employment and Wages (QCEW), which is maintained by U.S. Bureau of Labor Statistics (BLS).

Retail Trade 2000-2004

Retail Trade Pull Factor across Missouri, 2000



Retail Trade Pull Factor across Missouri, 2004

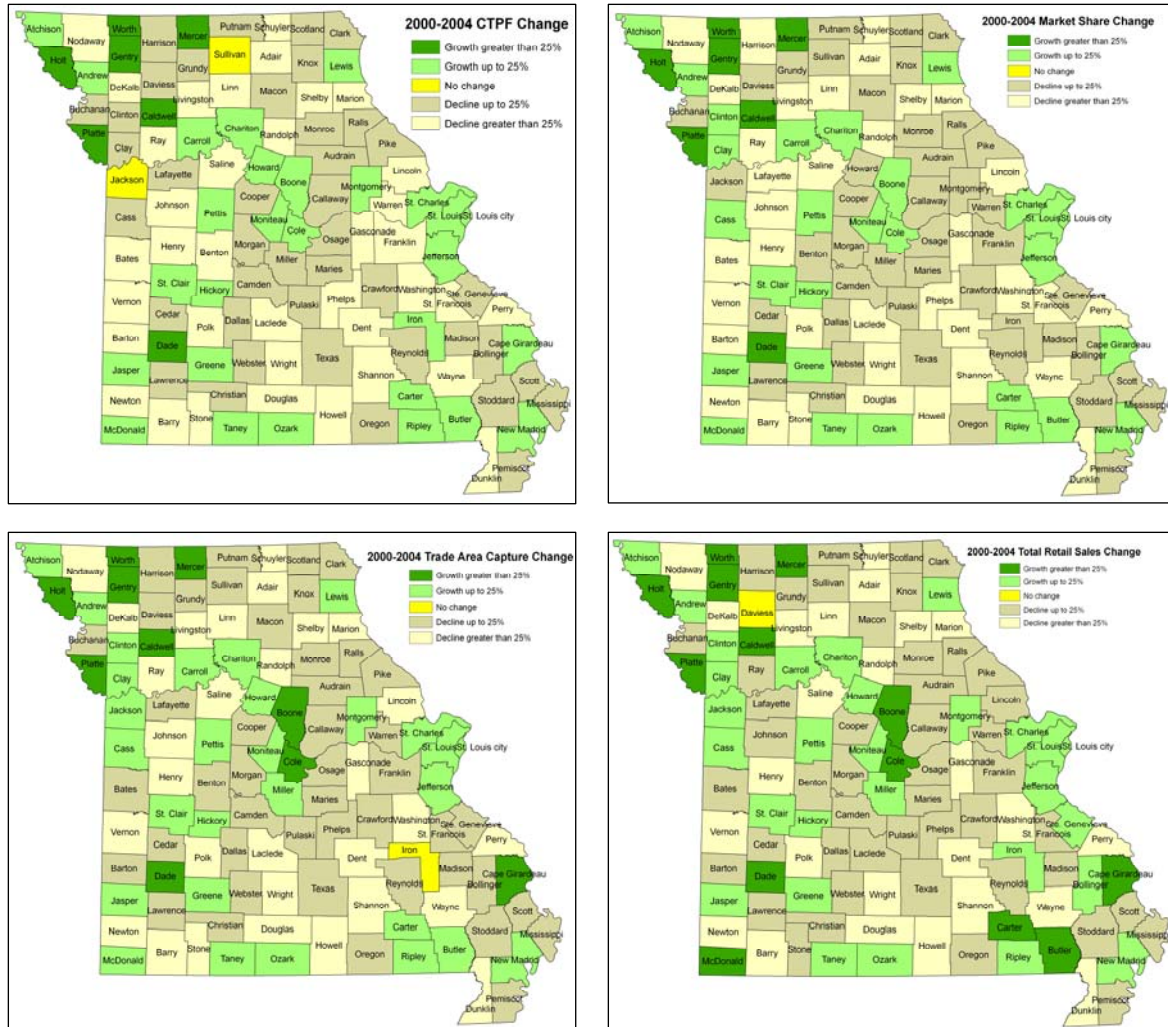


The 2004 county retail trade pull factor map above shows 15 counties gaining retail customers/sales across Missouri. Retail trade strengthened further from previous years in metropolitan counties, counties along the major interstate highways and tourist as well as retirement places such as Branson and Lake of Ozarks. The south-eastern counties near the bootheel area showed significant growth in retail trade from previous years and have attracted customers from neighboring counties. The County with the highest pull factor was Taney (2.03), followed by Greene (1.66) and Camden (1.58).

On the contrary, 100 counties lost retail customers/sales. The counties that lost customers followed previous years' trend - the rural agricultural areas in the northern part of the state, southern Ozark forest area and counties surrounding regional trade centers. Retail trade in Kirksville area declined significantly, losing a regional trade center status. Schuyler county had the lowest pull factor (0.05), followed by Putnam (0.07) and Worth (0.09).

A major portion of retail sales in 2004 was due to consumer spending in miscellaneous retail, general merchandise, food, eating and drinking places. Furniture, building materials, automotive and apparel constituted less than 25% of the consumer retail expenditure.

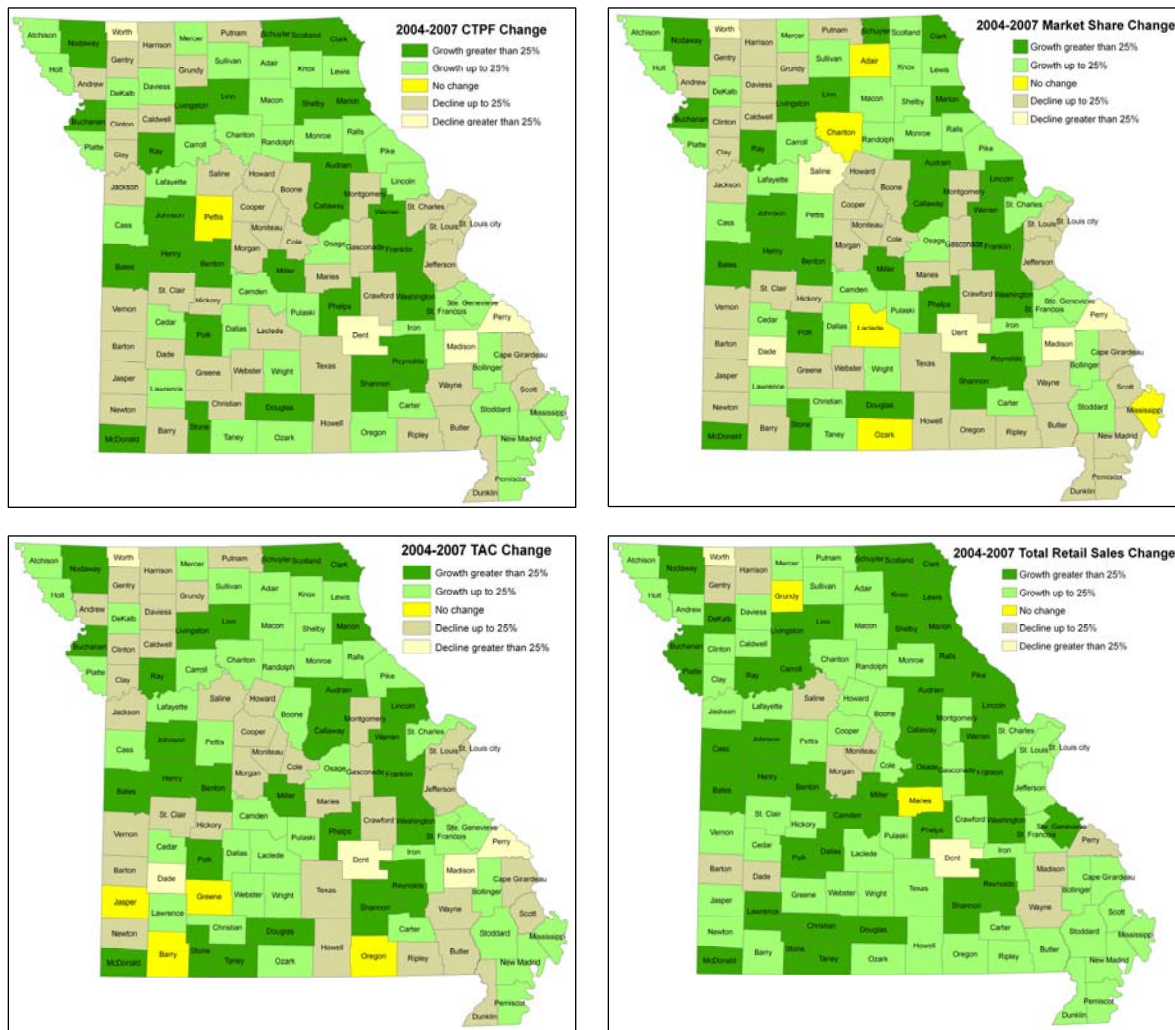
Change in retail trade pull factor, market share, trade area capture and total retail sales, 2000-2004



Between 2000 and 2004, retail trade grew in 35 counties across Missouri. Retail trade pull factors increased by more than 25% in Holt, Worth, Gentry, Platte, Caldwell, Mercer and Dade Counties, thereby increasing the market share. In Boone, Cole and Cape Girardeau Counties, customer base grew more than 25% in the local market area.

Retail trade declined in 80 counties in Missouri during the same period. The largest decline was in Schuyler, Randolph, Douglas, DeKalb, Polk and Shannon Counties. These counties are located in regions surrounding metropolitan areas and regional trade centers.

Change in retail trade pull factor, market share, trade area capture and total retail sales, 2004-2007



Between 2004 and 2007, retail trade grew in 72 counties in Missouri. Retail trade pull factors increased by more than 25% in 27 counties. Between 2004 and 2007, 72 counties expanded their customer base, with 28 counties increasing their customer base by more than 25%. During the same time, 62 counties fared better in increasing the market share, with 25 counties increasing their market share by more than 25%. A majority of these counties were located along the state border and surrounding the regional trade centers.

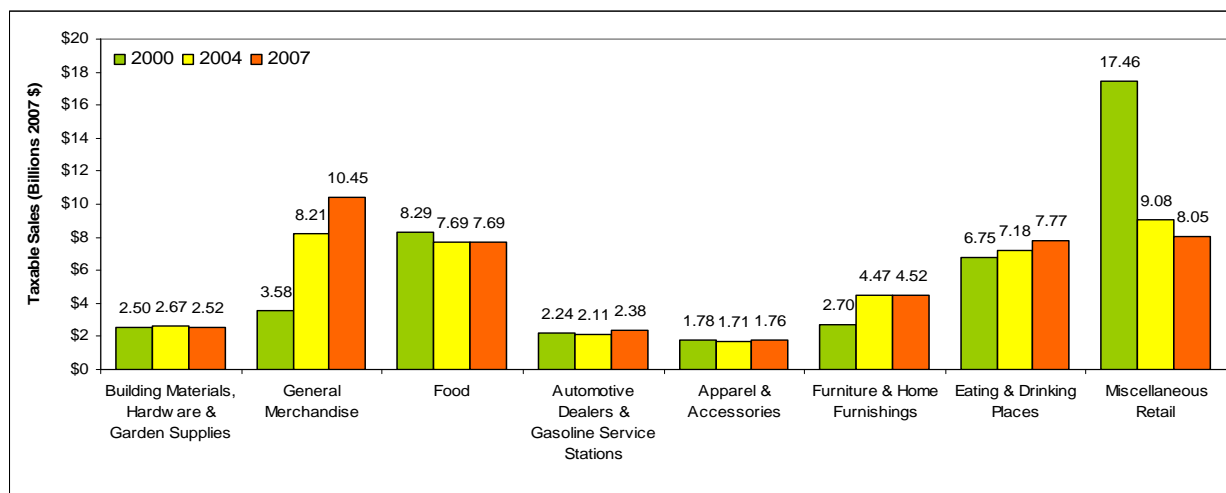
On the contrary, retail trade declined in 48 counties, the customer base shrunk in 43 counties on the periphery of the regional trade centers and the retail trade market share dropped in 53 counties in central, Ozark forest area, southwestern and northwestern rural and agricultural regions of the state. Retail trade in Dent, Worth and Madison Counties dropped the most between 2004 and 2007.

Retail Sales Sector Trends

In terms of retail sales trend in Missouri, the greatest increase over seven years was in general merchandise, and the steepest decline was in miscellaneous retail sectors. The convenience of shopping a wide range of products under one roof at national chain stores caused consumers to shift purchases away from miscellaneous retail stores, which carry only a limited range of products.

Consumer spending on food declined but spending of eating and drinking places increased indicating that people were spending more to eat out. Consumer spending on building materials stayed roughly about the same but expenditure on furniture and home furnishings increased. Consumer expenditure on automotive stayed even although automobile and gasoline prices increased over the years indicating that Missourians bought fewer cars and drove fewer miles. Apparel and accessory sales was steady across the years as well.

Comparison of Taxable Sales by Detailed Industry in Missouri, 2000, 2004 and 2007

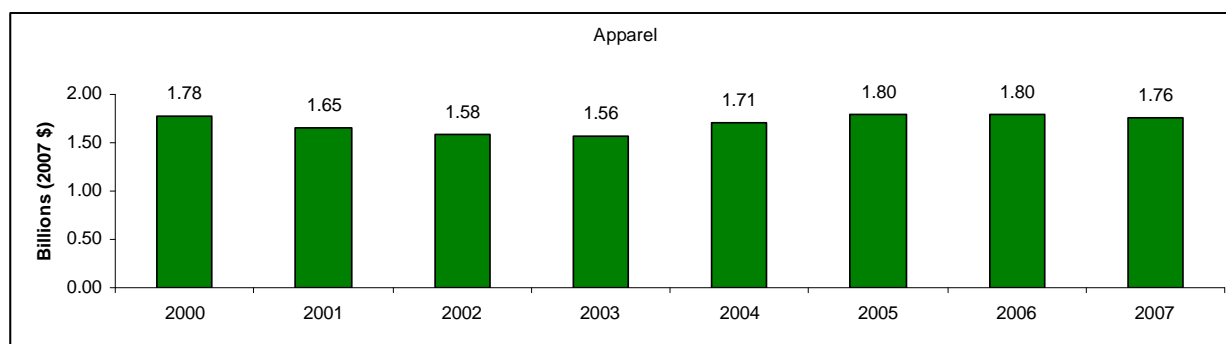


The increase in retail sales in general merchandise sector was partly because consumers spent more money at national chain retail stores partly substituting their expenditure at food retailers and miscellaneous retail stores. The drop in consumer expenditure on miscellaneous retail sales was partly because of increase in general merchandise stores, internet, phone, mail-order and catalog sales.

103 counties (90%) lost retail customers to other counties in the state. These counties are located in areas around the regional trade centers and metropolitan region. While most of the counties with low pull factors are in the rural areas with a lower than average per capita income than the state and may in turn be spending proportionately less on average for apparel.

Apparel retail sales in Missouri showed a steady decline from \$1.78 billion in 2000 to \$1.56 billion in 2003. Apparel retail sales increased marginally by \$0.09 billion from 2004 to 2005, held steady in 2006 at \$1.80 billion and declined slightly in 2007 to \$1.76 billion.

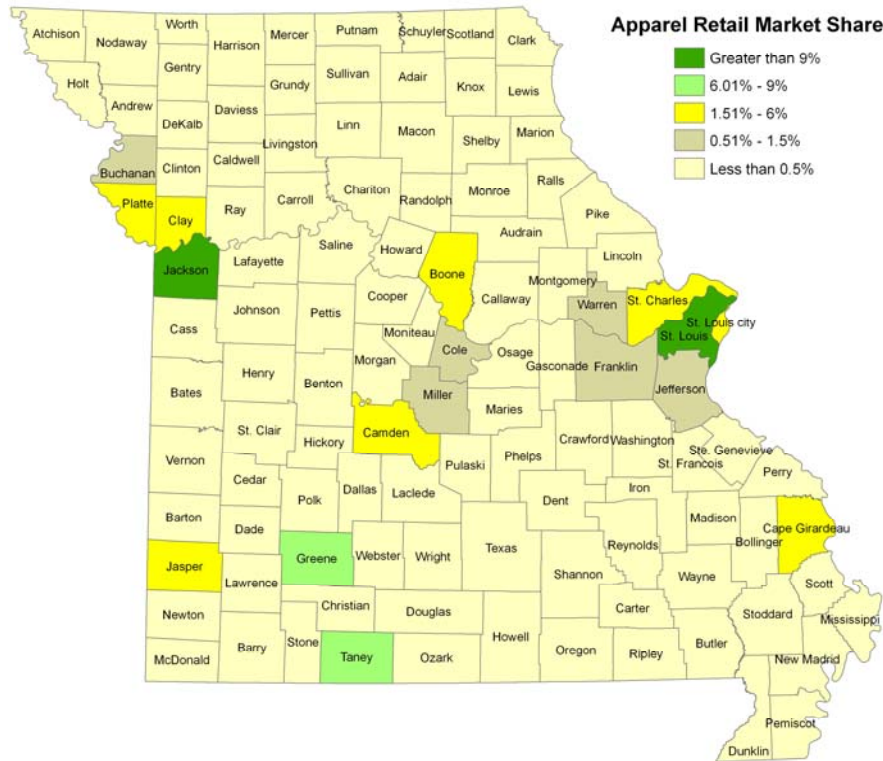
Apparel Retail Sales in Missouri, 2000-2007



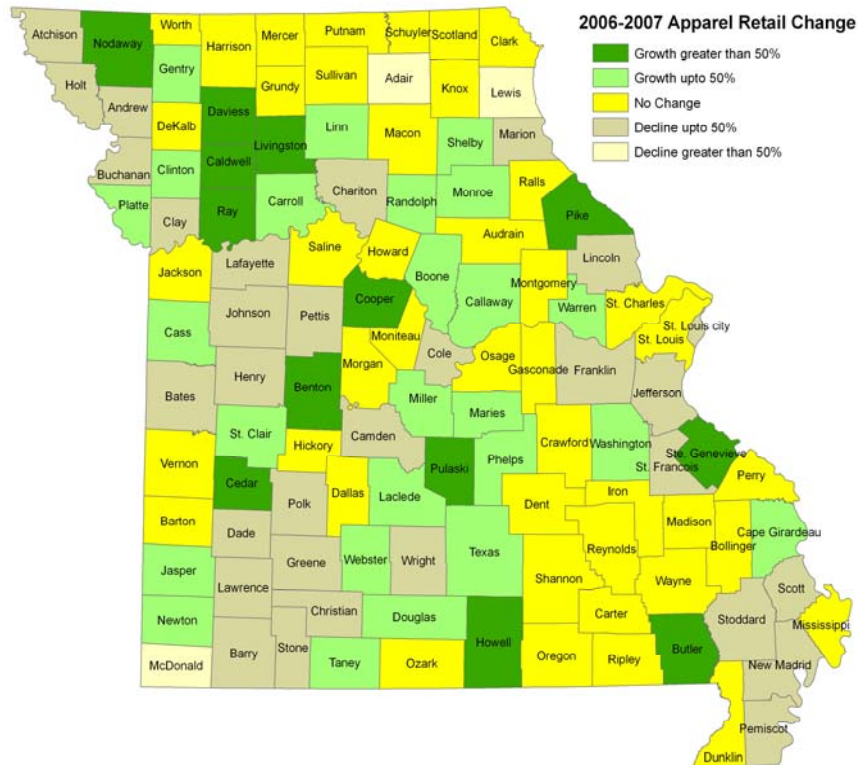
In terms of market share, in 2007, both Jackson and St. Louis County had an apparel retail market share of more than 9% each, while Greene and Taney counties market share range was between 6 and 9%. Metropolitan counties (Platte, Clay, Boone, St. Charles and St. Louis city) and regional trade centers (Jasper, Camden and Cape Girardeau) had a market share in the range of 1.5 to 6%.

Between 2006 and 2007, the retail sales increase was greater than 50% in counties surrounding regional trade centers. A majority of Metropolitan counties saw a gain of up to 50% in retail apparel sales. There was no change in retail apparel sales in rural counties, suburban areas and counties with low per capita income such as the Ozark forest area in south-central region. While apparel retail sales declined moderately in the bootheel and areas surrounding Springfield and Kansas City, retail sales declined by more than 50% in Adair and Lewis counties.

Apparel Retail Trade Market Share across Missouri, 2007



2006-2007 Change in Apparel Retail Sales across Missouri

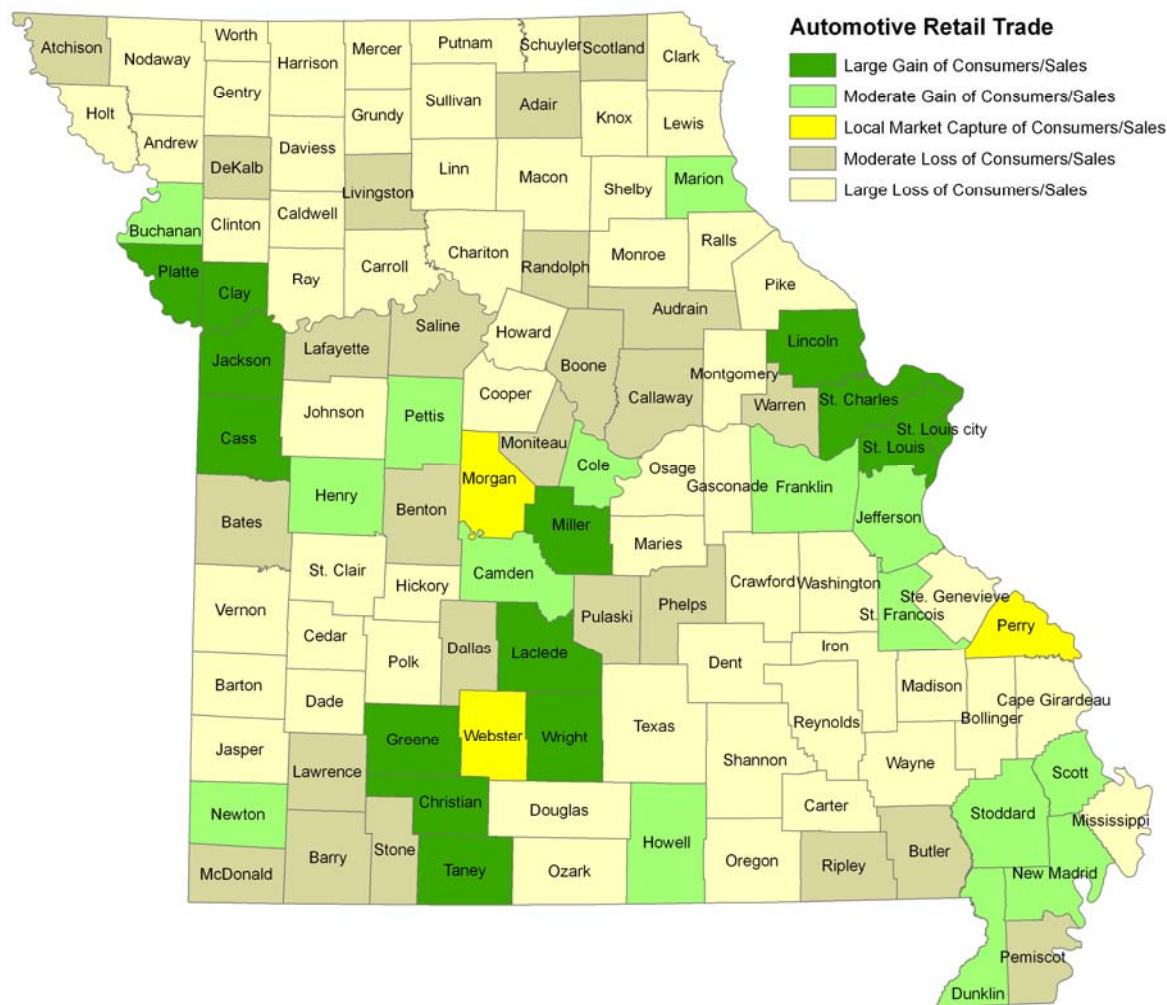


Automotive Retail Trade

Automotive retail trade includes new and used car, recreational vehicle, motorcycle, boat and other motor vehicle dealers as well as stores selling automotive parts, tires and accessories. Automobile service stations, gasoline stations combined with convenience stores and car washes are included in this sector.

In 2007, 31 counties gained consumers/sales in the metropolitan and surrounding areas of St. Louis, Kansas City, Springfield and area surrounding the Lake of Ozarks. Automotive sales were high in metropolitan areas on interstate highways where a large number of dealers and service stations are located. Also, service stations were located near principal automotive suppliers and manufacturers. Moderate gain of consumers was seen in counties surrounding the metropolitan and regional trade centers. Morgan, Webster and Perry captured the local market in automotive retail trade.

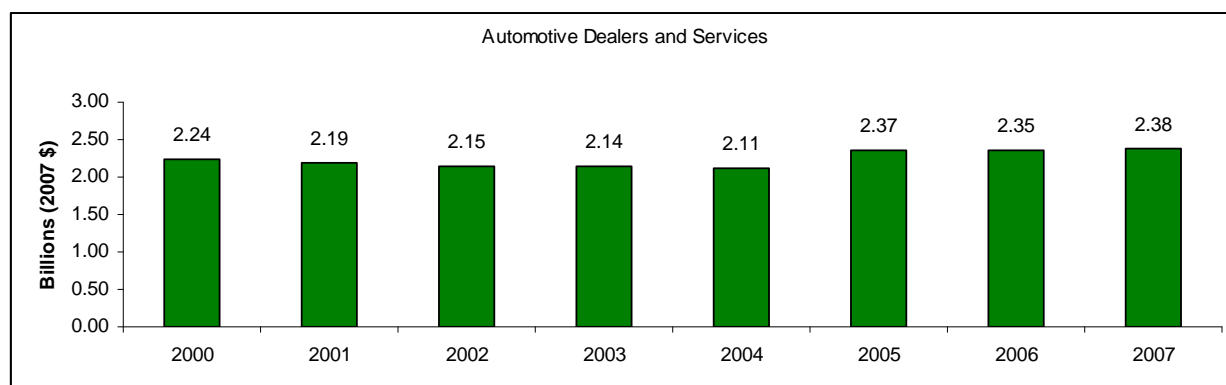
Automotive Retail Trade Pull Factor across Missouri, 2007



84 counties (73%) experienced loss of consumers/sales in automotive retail trade. A majority of these counties were not connected with interstate highways and are located in the suburban and rural counties of Missouri. A majority of the counties have a lower pull factor in automotive retail customers/sales have a relatively low per capita income on an average and may be spending proportionately less on average for automotive.

Automotive retail sales displayed a steady decline from \$2.24 billion in 2000 to \$2.11 billion in 2004. Automotive retail sales increased by \$0.26 billion in 2005 and declined slightly in 2006 to \$2.35 billion. Automotive retail sales in Missouri increased to the highest ever since 2000 to \$2.38 billion in 2007.

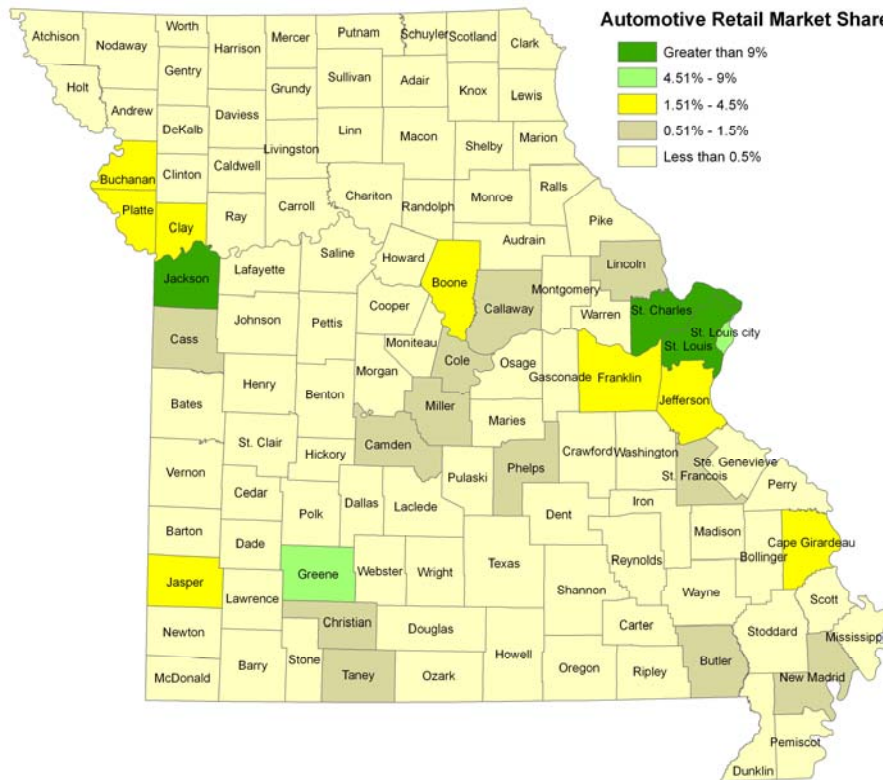
Automotive Retail Sales in Missouri, 2000-2007



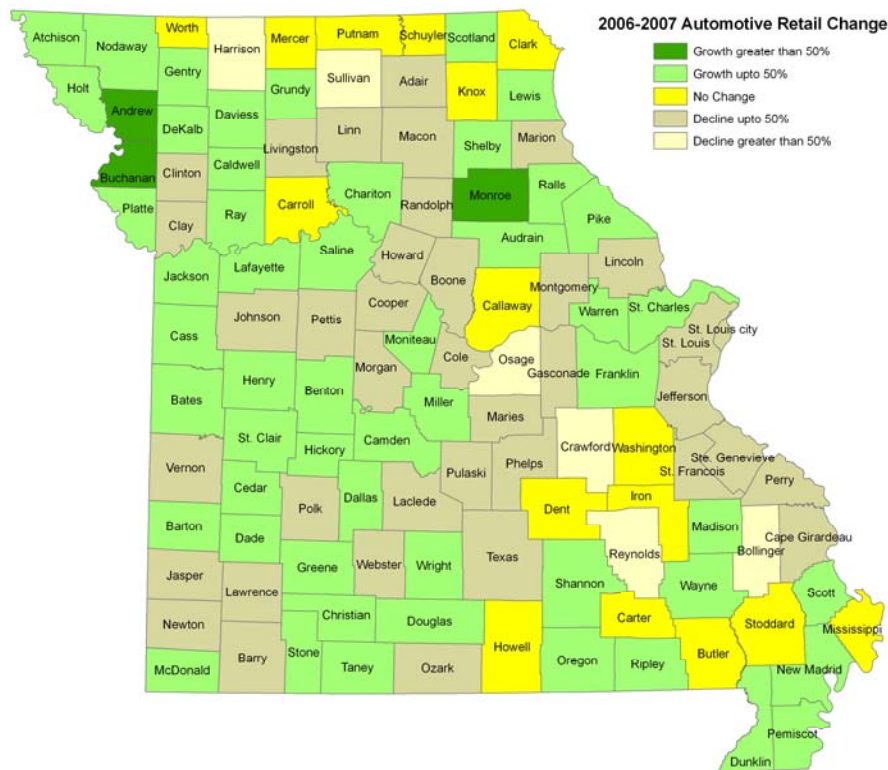
In 2007, automotive retail market share was greater than 9% for each of Jackson, St. Charles and St. Louis counties, while the market share for St. Louis and Greene was in the range of 4.51 to 9%. Counties surrounding the metropolitan areas had an automotive retail market share in the range of 1.5 to 4.5%.

Between 2006 and 2007, the automotive retail sales increased by more than 50% in Andrew, Buchanan and Monroe counties. Retail sales in counties surrounding metropolitan and regional trade centers increased moderately. There was no change in retail sales in rural counties in the northern region of the state and Ozark forest area in the southeaster region of the state. With the exception of Cape Girardeau, St. Louis and St. Louis city, automotive retail sales declined in counties that did not have an interstate highway connection. Automotive retail sales dropped more than 50% in the counties of Harrison, Sullivan, Osage, Crawford, Reynolds and Bollinger.

Automotive Retail Trade Market Share across Missouri, 2007



2006-2007 Change in Automotive Retail Sales across Missouri

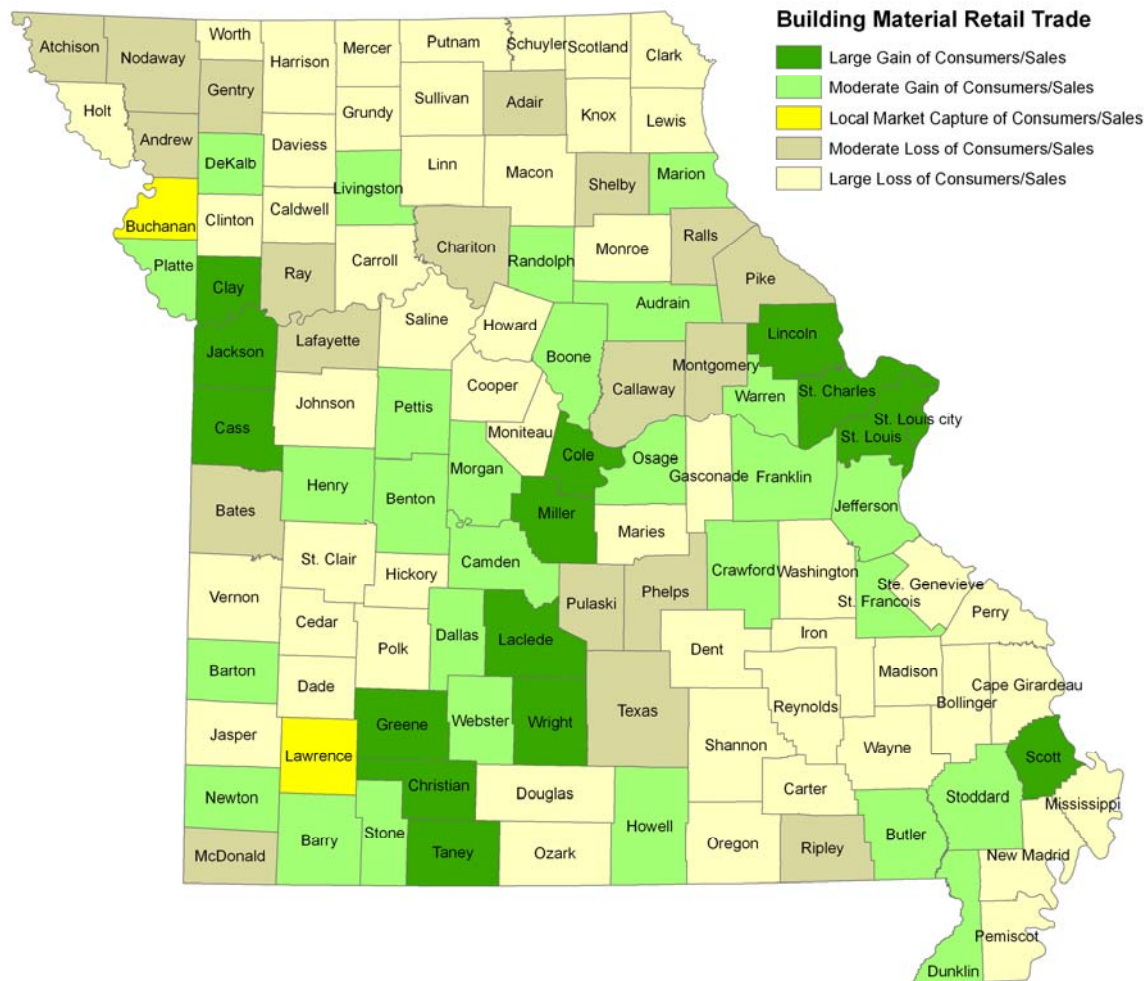


Building Material Retail Trade

Building material retail trade includes building material supplies dealers, home centers, stores selling paint, wallpaper, lawn, garden equipment and outdoor power equipment. Nursery, garden center and farm supply stores are also included in this sector.

In 2007, 43 counties gained retail consumers/sales in the metropolitan and surrounding areas of Kansas City, St. Louis, Springfield and Columbia-Jefferson City. Missouri experienced the increase in consumers/sales in metropolitan and regional trade centers as a result of new construction projects. These areas support a large base of consumers and pick up sales across the state borders. Counties surrounding the metropolitan and regional trade centers experienced moderate growth in building material consumers/sales. Buchanan and Lawrence Counties captured the local market in building material retail trade.

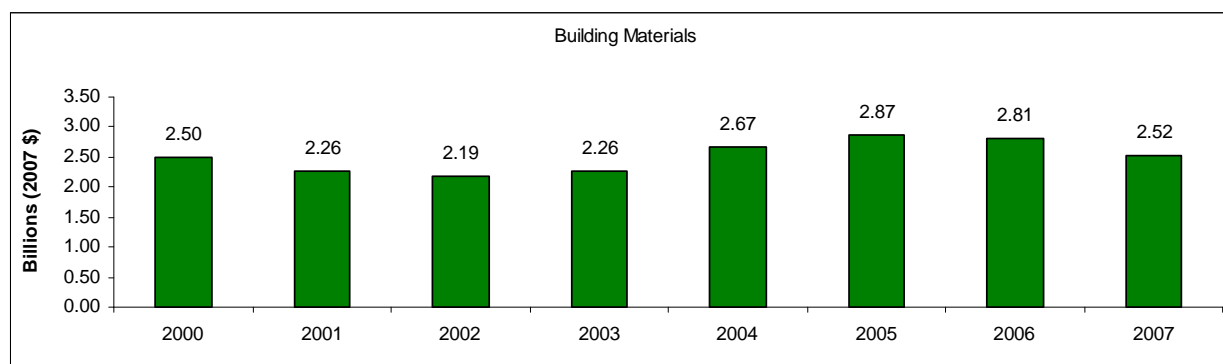
Building Material Retail Trade Pull Factor across Missouri, 2007



70 counties (61%) experienced loss of consumers/sales in building material retail trade. Most of these counties are located in rural agricultural regions and southern Ozark area. These counties, do not support a large customer base and have a relatively lower than average per capita income. The real estate market in these counties is not as robust as the metropolitan and regional trade centers.

Building material retail sales declined steadily from \$2.50 billion in 2000 to \$2.19 billion in 2002. Retail sales in building material increased from 2002 to its highest since 2000 at \$2.87 billion in 2005. Retail sales dropped to \$2.52 billion in 2007 owing to the sub-prime mortgage crisis.

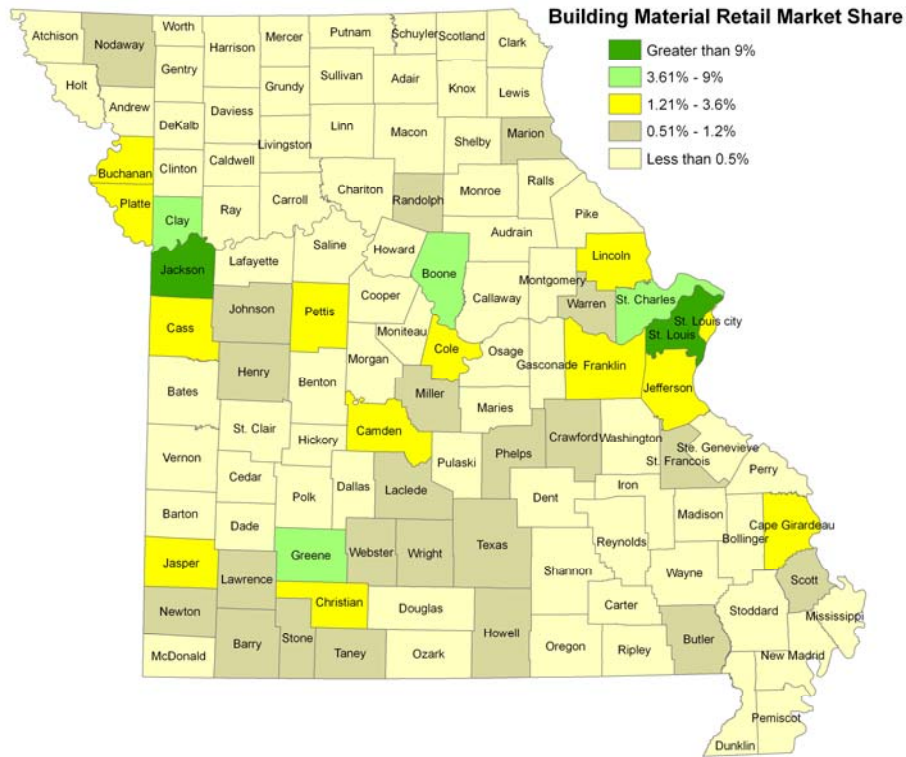
Building Materials Retail Sales in Missouri, 2000-2007



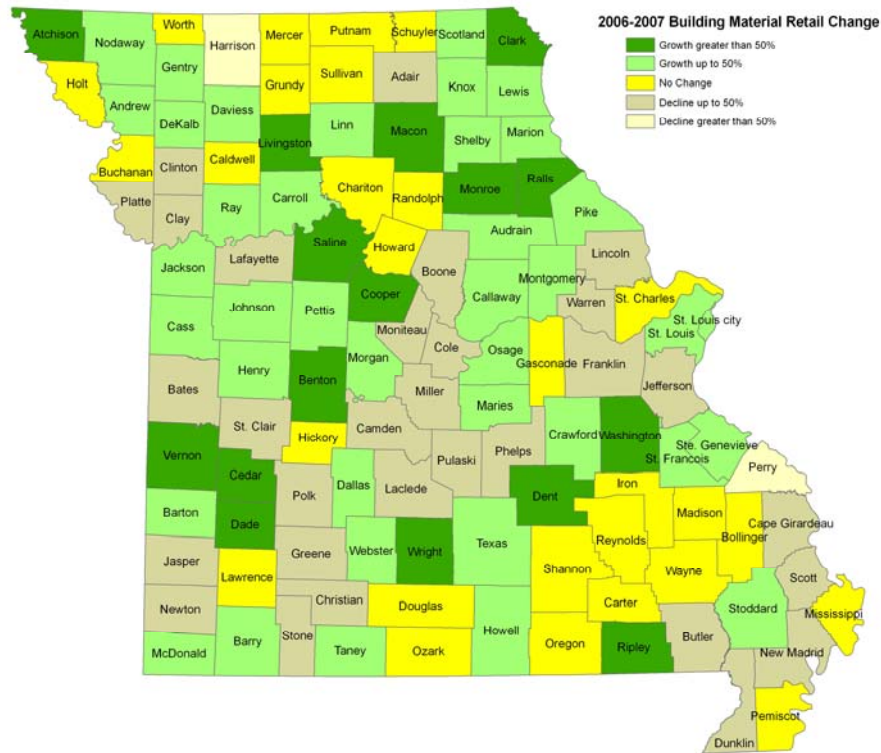
In 2007, the building material market share was greater than 9% in the counties of Jackson and St. Louis while the market share for Clay, Boone, St. Charles and Greene was in the range of 3.61% to 9%. 13 counties surrounding the metropolitan counties market share was nearly 3.6%.

Between 2006 and 2007, the building material retail sales grew at more than 50% in 16 counties surrounding the metropolitan and regional trade centers in Missouri. Building material grew at less than 50% in counties surrounding the 16 counties. There was no change in retail sales of building materials in 23 counties. These counties include St. Louis, St. Louis city and counties surrounding the regional trade centers. Building material retail sales declined nearly 50% in 59 counties including Platte, Boone and Greene. The greatest decline in building material retail sales was in Harrison and Perry at more than 50%.

Building Materials Retail Trade Market Share across Missouri, 2007



2006-2007 Change in Building Materials Retail Sales across Missouri

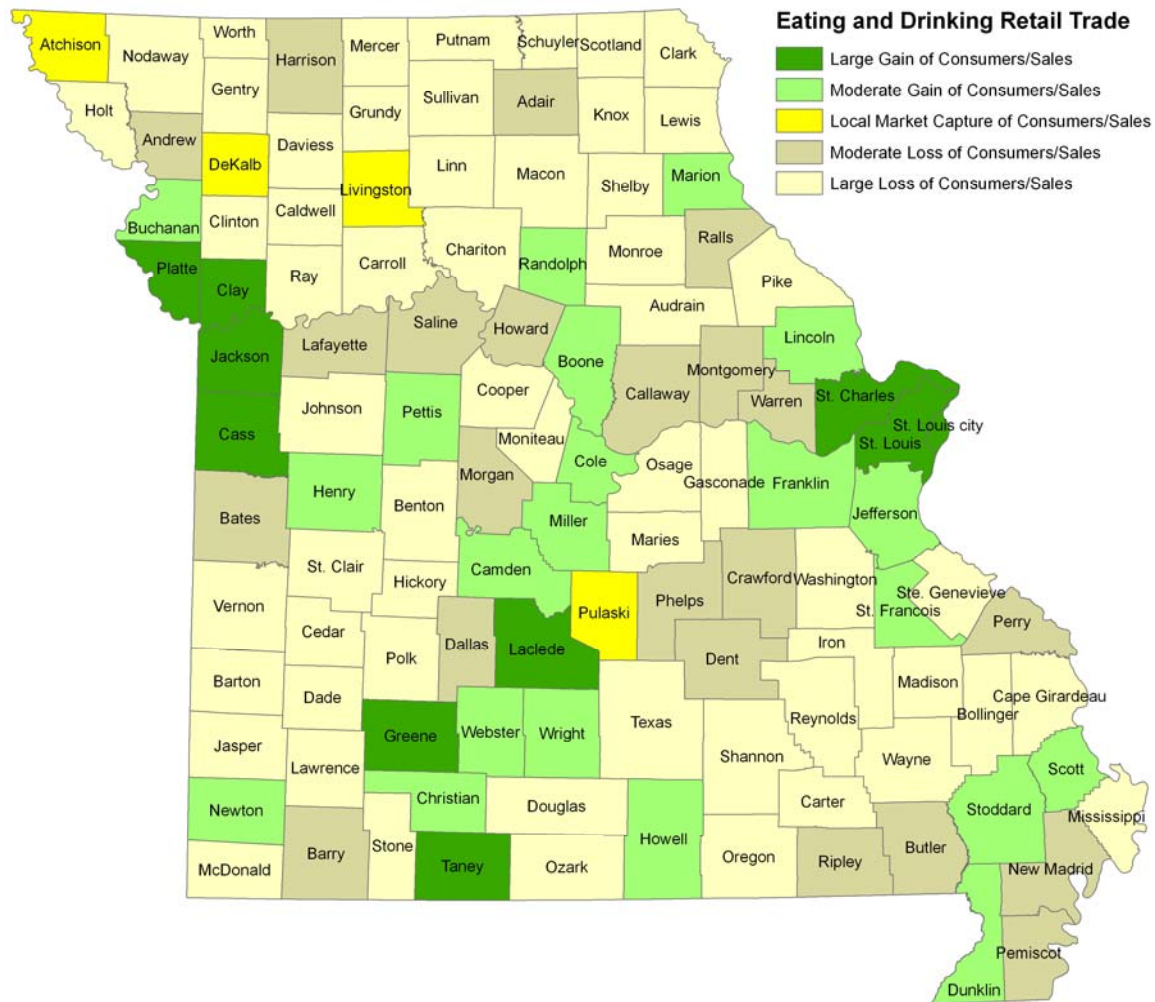


Eating and Drinking Retail Trade

Eating and Drinking retail trade includes restaurants, fast food places, refreshment stands, and drinking places such as bars, pubs and taverns. The sector includes food courts in malls, hotel owned restaurants as well as bars and restaurants owned by civic, social and fraternal associations.

In 2007, 31 counties gained eating and drinking retail consumers/sales in metropolitan and surrounding counties, with large gains around Kansas City, St. Louis, Springfield, Lake of Ozarks and Branson. These counties support a large number of tourists and a majority of these counties are located on principal interstate highways. Atchison, Dekalb, Livingston and Pulaski captured the local market for eating and drinking retail sector.

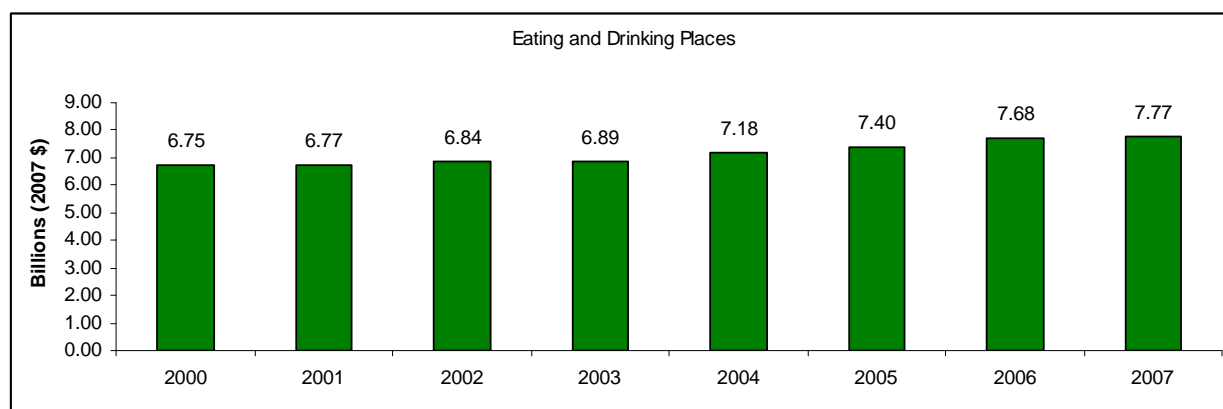
Eating and Drinking Retail Trade Pull Factor across Missouri, 2007



80 counties (70%) experienced a loss of consumers/sales in eating and drinking retail sector. A majority of these counties are located in rural areas and Ozark forest region. These counties have a low per capita income on an average and the number of out-of-home meals purchased may be relatively low.

Eating and drinking places retail increased steadily from \$6.75 billion in 2000 to \$7.77 billion in 2007. From 2000-2004, the increase in retail sales was marginal but from 2004-2007 retail sales increased at a relatively faster rate.

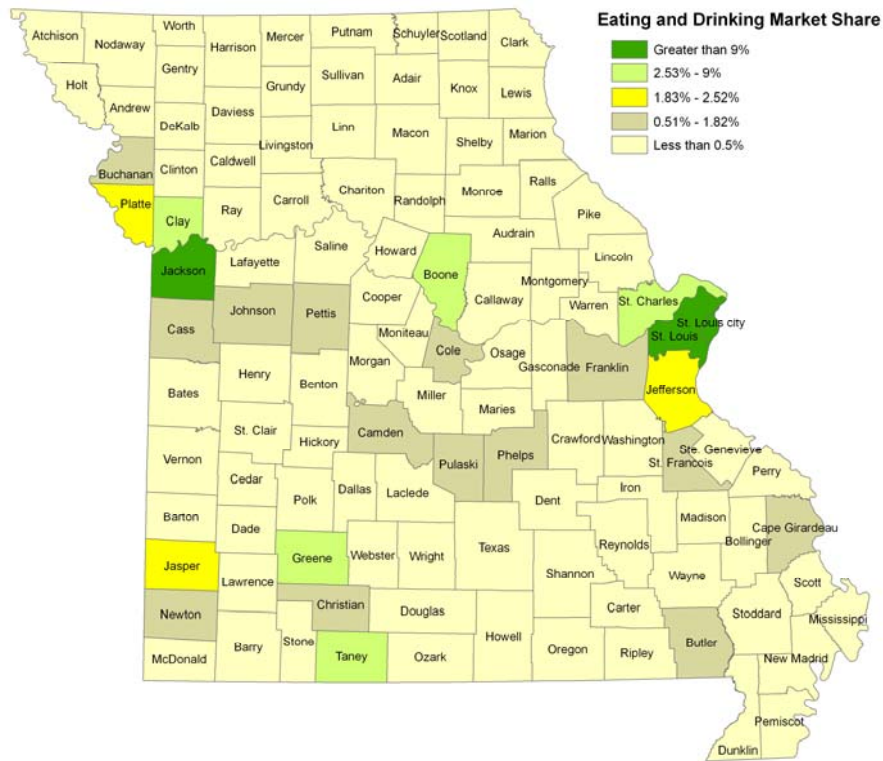
Eating and Drinking Places Retail Sales in Missouri, 2000-2007



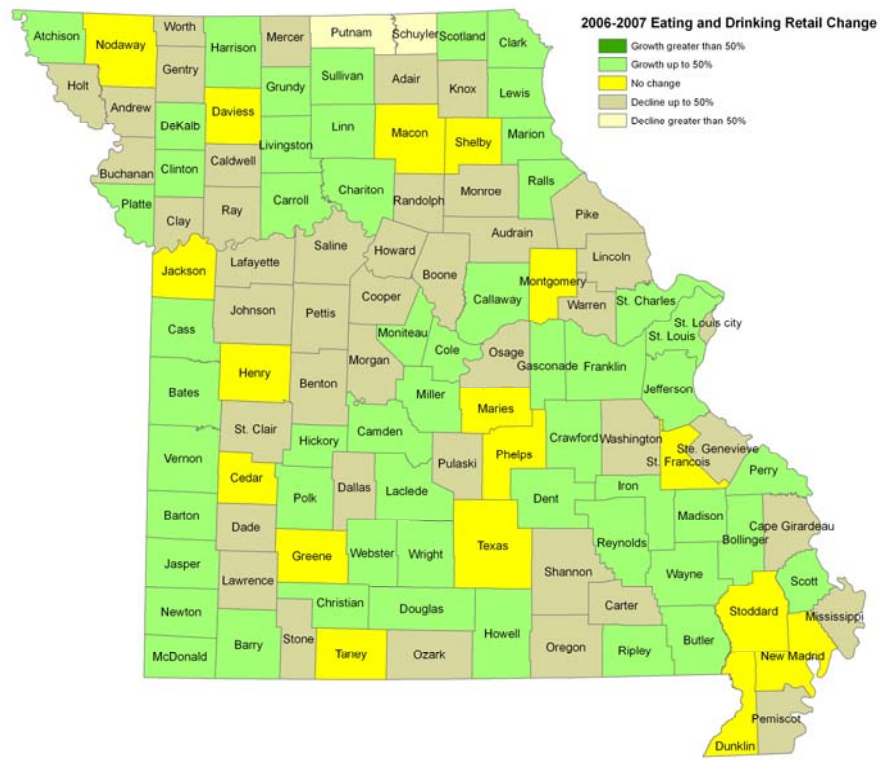
In 2007, the eating and drinking market share of Jackson, St. Louis and St. Louis city was greater than 9%. Retail sales in eating and drinking places in Clay, Boone, St. Charles, Greene and Taney grew at less than 9%. Platte, Jefferson and Jasper counties retail market share was nearly 2.5%.

Between 2006 and 2007, the eating and drinking retail sales grew by less than 50% in 53 counties surrounding the metropolitan and regional trade centers. There was no change in retail sales in 17 counties. Eating and drinking retail sales declined nearly 50% in 43 counties including St. Louis city and Boone counties. Eating and drinking retail sales declined more than 50% in Putnam and Schuyler.

Eating and Drinking Retail Trade Market Share across Missouri, 2007



2006-2007 Change in Eating and Drinking Retail Sales across Missouri



In 2007, 34 counties gained food retail trade consumers/sales in metropolitan and surrounding counties with large gains around Kansas City, St. Louis, Springfield, Lake of Ozarks and Branson. Moderate gains were found in counties surrounding the metropolitan and regional trade centers. 8 counties captured the local markets in food retail sales.

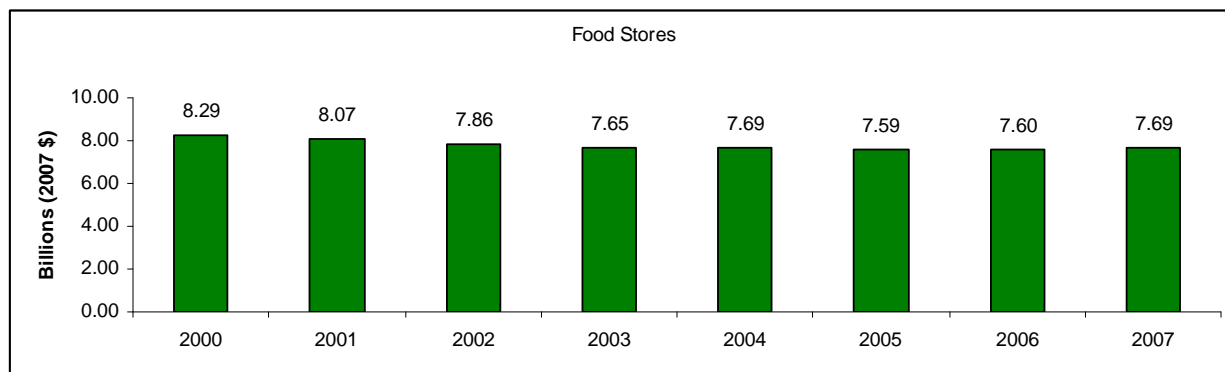
Food Retail Trade

- Large Gain of Consumers/Sales
- Moderate Gain of Consumers/Sales
- Local Market Capture of Consumers/Sales
- Moderate Gain of Consumers/Sales
- Large Gain of Consumers/Sales

In 2007, 73 counties (63%) experienced loss of consumers in food retail trade. A majority of these counties are located in the rural northern region and Ozark forest area. Food retail sales are relatively low in these counties because of lack of food retailers. Moreover, the per capita income of these counties is relatively low.

Food retail sales steadily declined from \$8.29 billion in 2000 to \$7.65 billion in 2003. Food retail sales increased marginally in 2004 and stabilized in 2005-2006. Retail sales in 2007 bounced back to 2004 level.

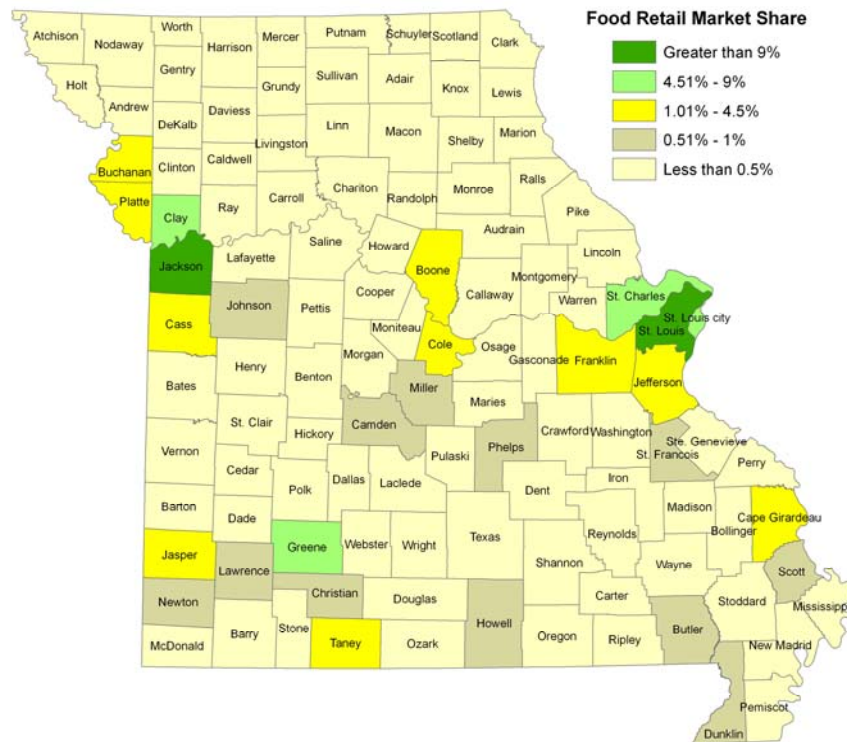
Food Retail Sales in Missouri, 2000-2007



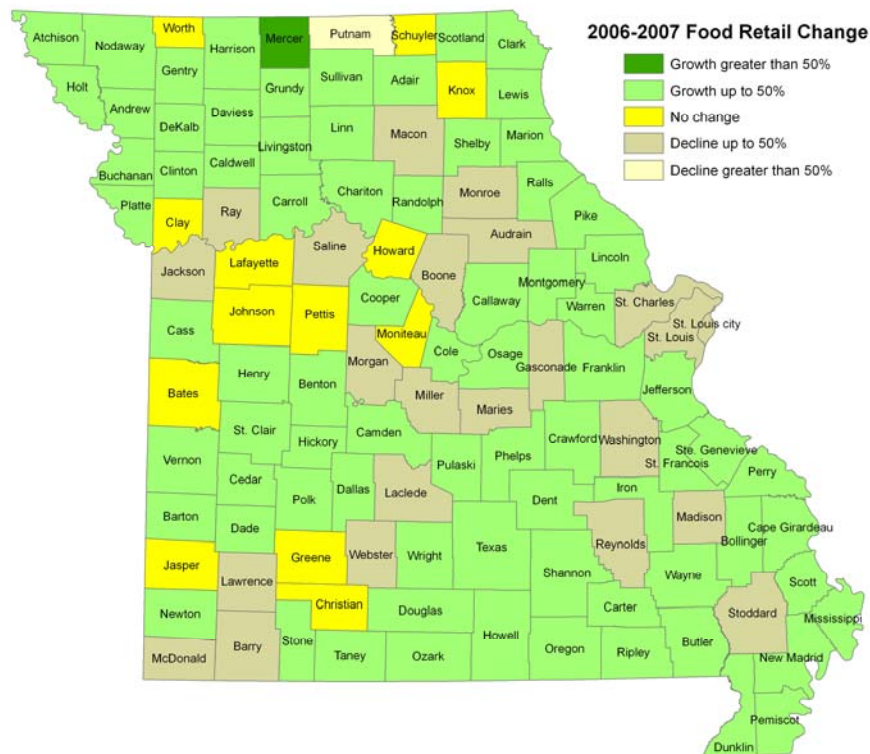
In 2007, Jackson and St. Louis County held a market share of more than 9% in food retail sales. The market share of St. Charles, Clay and Greene counties was in the range of 4.51 to 9%. 10 counties surrounding the metropolitan and regional trade centers had a market share of nearly 4.5%.

Between 2006 and 2007, food retail sales grew by more than 50% in Mercer on the northern border of the state. Food retail sales grew nearly 50% in 100 counties (87%) in rural and counties surrounding metropolitan and regional trade centers across the state. 13 counties surrounding metropolitan areas showed no change in food retail sales. Most of the metropolitan counties showed a decline of food retail sales. The food retail sales declined more than 50% in Putnam.

Food Retail Trade Market Share across Missouri, 2007



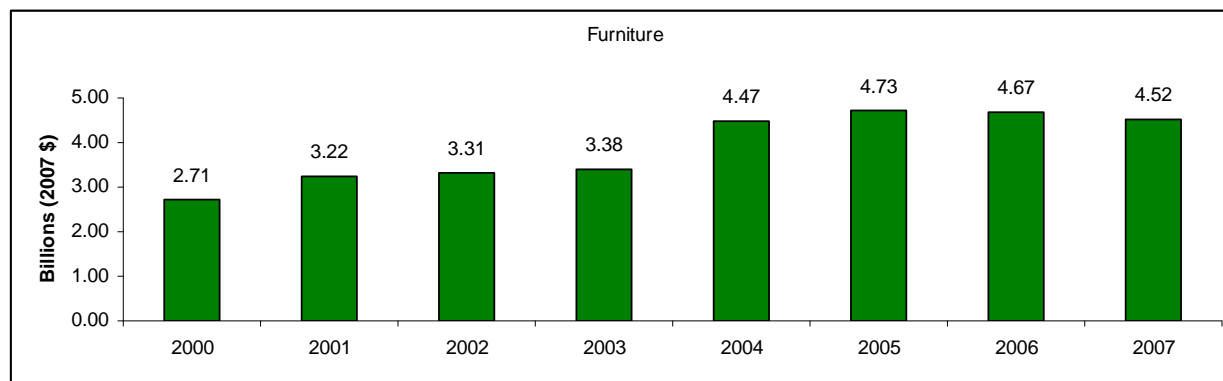
2006-2007 Change in Food Retail Sales across Missouri



89 counties (77%) lost consumers/sales in furniture retail sales in Missouri. A majority of these counties are located in northern part of the state and in the Ozark forest region. These counties also lack national chain retailers and have a lower average per capita income.

Furniture retail sales increased steadily from \$2.71 billion in 2000 to \$3.38 billion in 2003. Furniture retail sales in Missouri jumped more than a billion dollars to \$4.47 in 2004. The surge in furniture retail sales peaked in 2005 at \$4.73 billion. Retail sales in furniture declined in the following two years to \$4.52 billion in 2007.

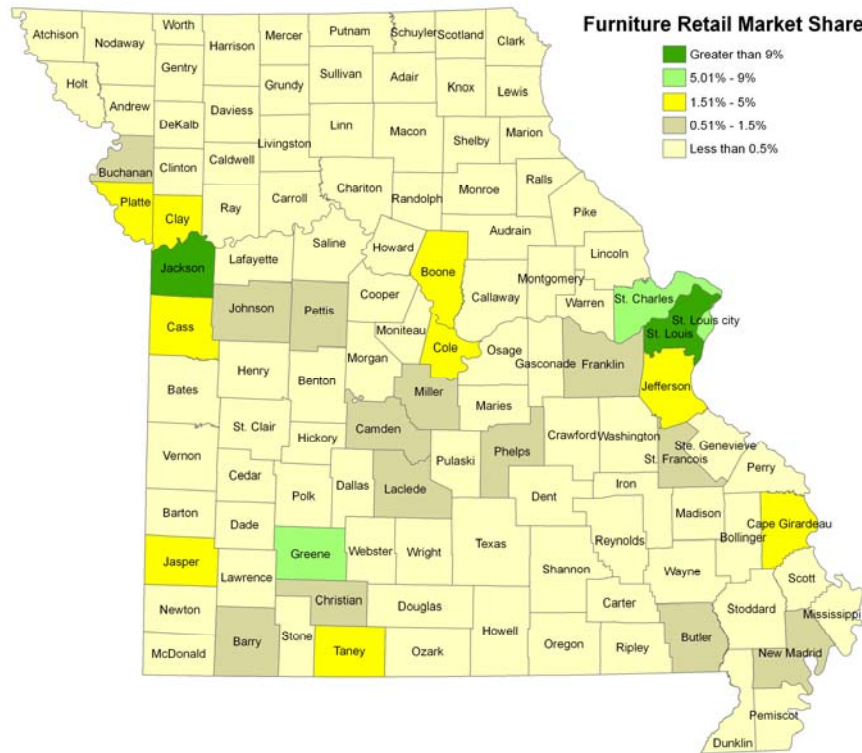
Furniture Retail Sales in Missouri, 2000-2007



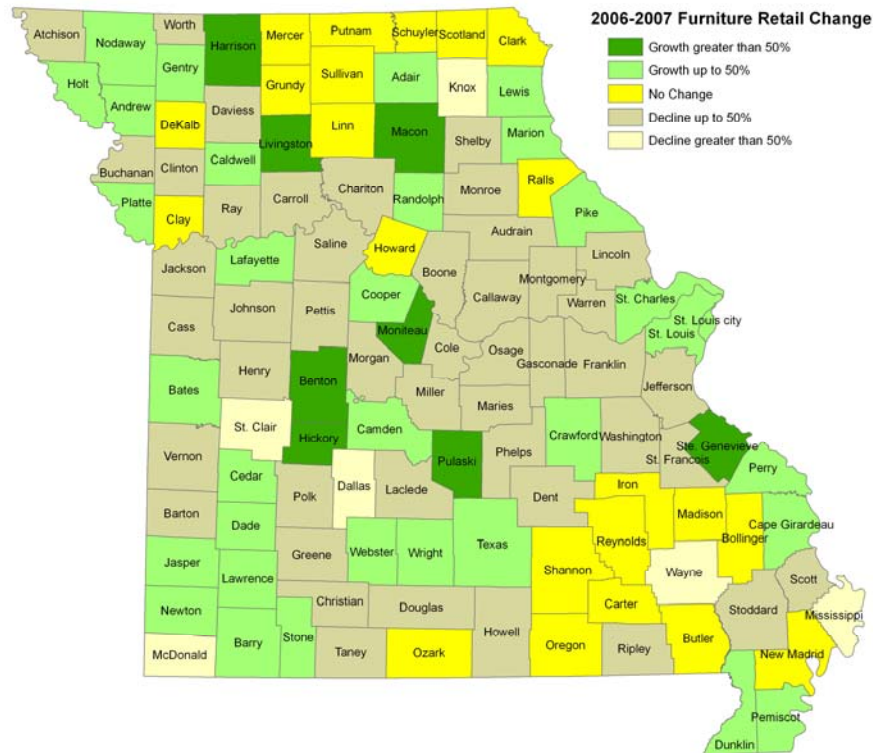
In 2007, Jackson and St. Louis County held a market share of more than 9% in furniture retail sales. The market share of St. Charles, St. Louis City and Greene was between 5% and 9%. 9 counties in metropolitan, Branson and Lake area held a market share between 1.5% and 5% in furniture retail sales.

Between 2006 and 2007, the furniture retail sales grew by more than 50% in 8 rural counties in Missouri. Metropolitan and surrounding counties retail sales in furniture grew nearly 50%. Ozark forest area and counties in northeastern region on the Iowa border showed no change in furniture retail sales. Furniture retail sales declined in 56 counties in a majority of East-central and West-central Missouri.

Furniture Retail Trade Market Share across Missouri, 2007



2006-2007 Change in Furniture Retail Sales across Missouri

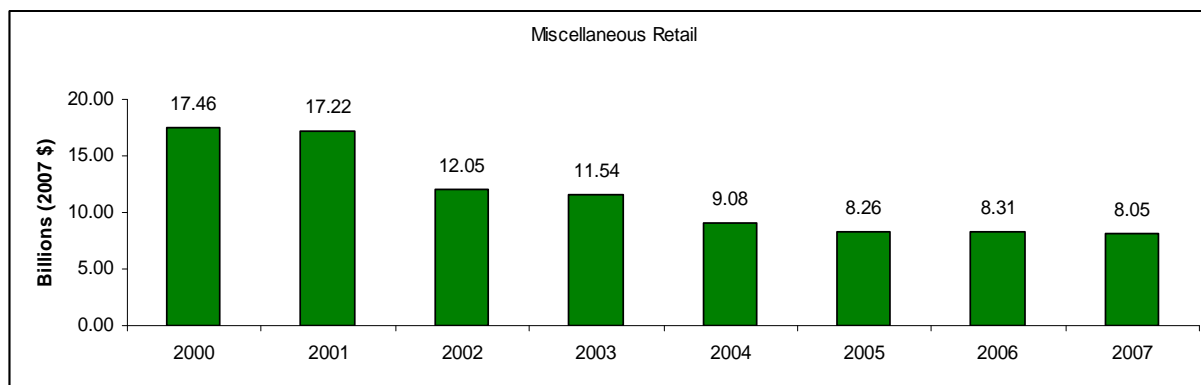




86 counties (74%) lost consumers/sales in miscellaneous retail sector in Missouri. A majority of these counties are located in the rural north region and Ozark forest area. These counties lack retailers and have a relatively small customer base. The per capita income is relatively low compared to the rest of the state.

Miscellaneous retail displayed a downward trend from \$17.46 billion in 2000 to \$8.05 billion in 2007. The decline in retail sales was drastic between 2001-2004 owing to the recession in 2001 and the trend continued. To coincide with the trend, a large number of small miscellaneous retail stores exited the market in Missouri during this period trying to compete with big box retailers. Miscellaneous retail somewhat stabilized above \$8 billion in 2005-2007.

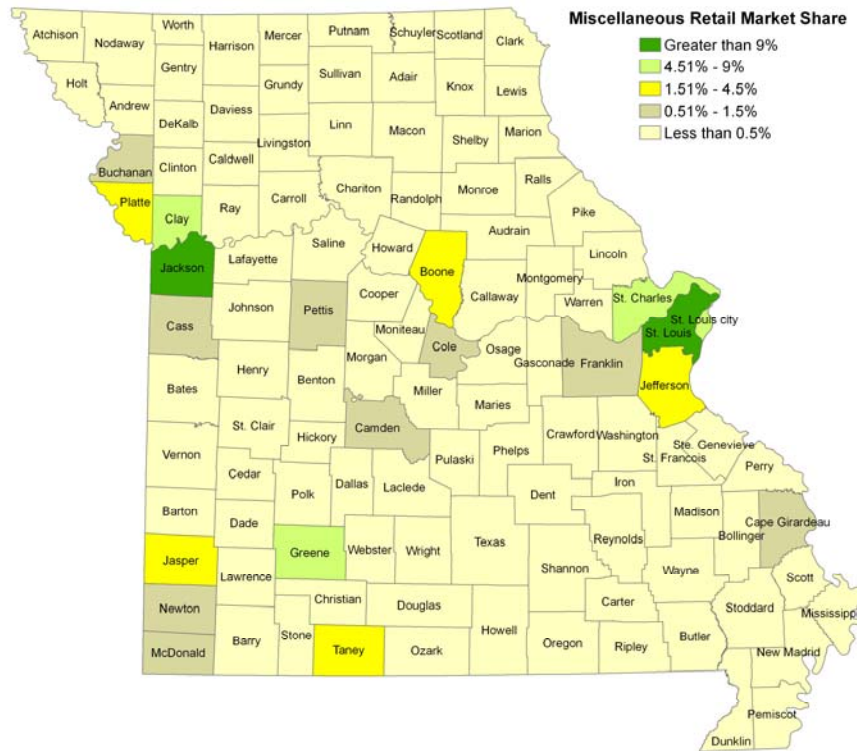
Miscellaneous Retail Sales in Missouri, 2000-2007



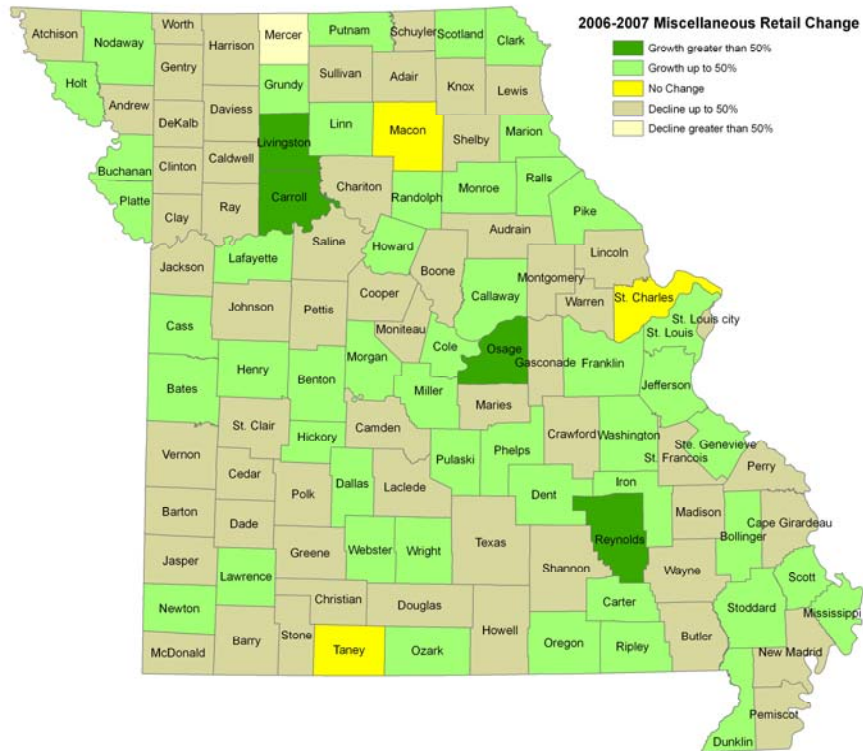
In 2007, Jackson and St. Louis County held a market share of more than 9% in miscellaneous retail sales. The market share of miscellaneous retail products in Clay, St. Charles, St. Louis City and Greene counties was between 4.5 and 9%. 5 counties – Boone, Platte, Taney, Jefferson and Jasper held a miscellaneous retail market share of nearly 4.5%

Between 2006 and 2007, the miscellaneous retail market grew by more than 50% in Livingston, Carroll, Osage and Reynolds. Counties surrounding Metropolitan and regional trade centers grew by less than 50%. Macon, St. Charles and Taney did not show any change in miscellaneous retail sales. Miscellaneous retail sales in Metropolitan and counties surrounding regional trade centers declined nearly 50%. The largest drop in miscellaneous retail was in Mercer by more than 50%.

Miscellaneous Retail Trade Market Share across Missouri, 2007



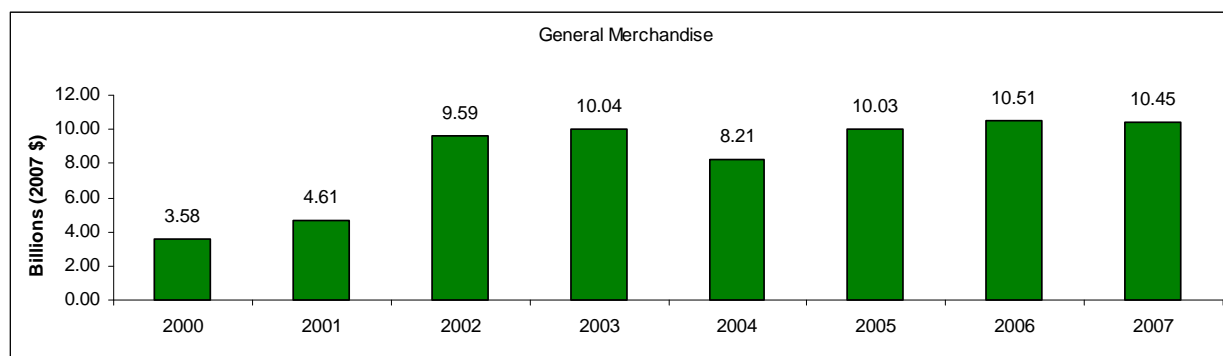
2006-2007 Change in Miscellaneous Retail Sales across Missouri



82 counties (71%) lost consumers/sales in general merchandise sector in Missouri. A majority of counties are located in rural northern part of the state, Ozark forest area and southwestern region. These counties have a relatively lower than average per capita income and lack any retail stores. These counties also have a small customer base.

General merchandise retail sales took a quantum leap from \$4.61 billion in 2001 to \$9.59 billion in 2002. This paradigm shift in general merchandise sales was a result of a launch of numerous big box retail stores. As a result, customers steered away from small miscellaneous retail stores to the big general merchandise stores with a wide range of products conveniently organized under one roof at affordable prices. The general merchandise retail sales stayed above \$10 billion except for 2004, when it dipped to \$8.21 billion.

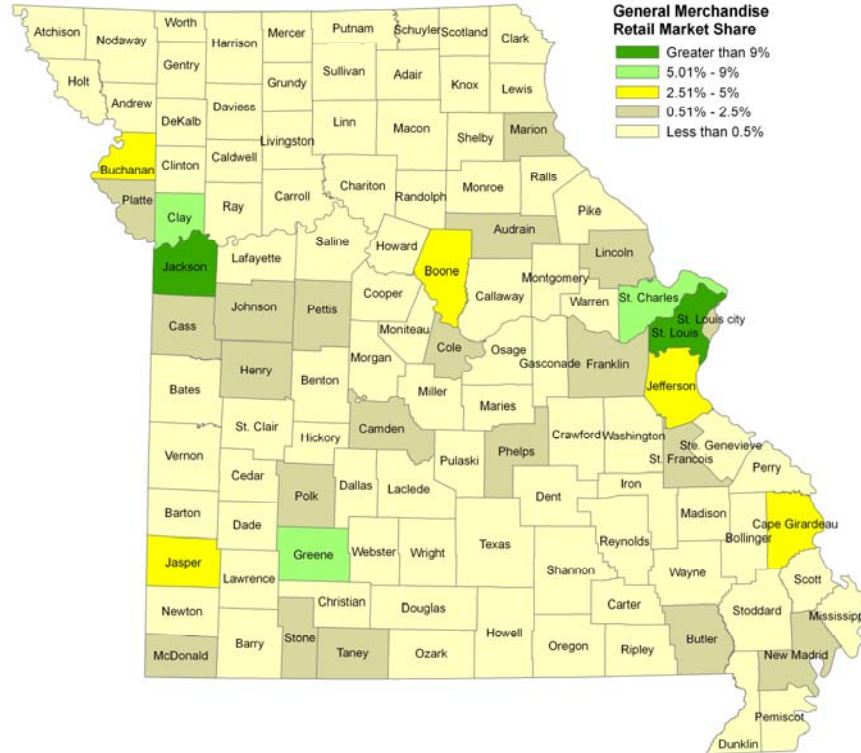
General Merchandise Retail Sales in Missouri, 2000-2007



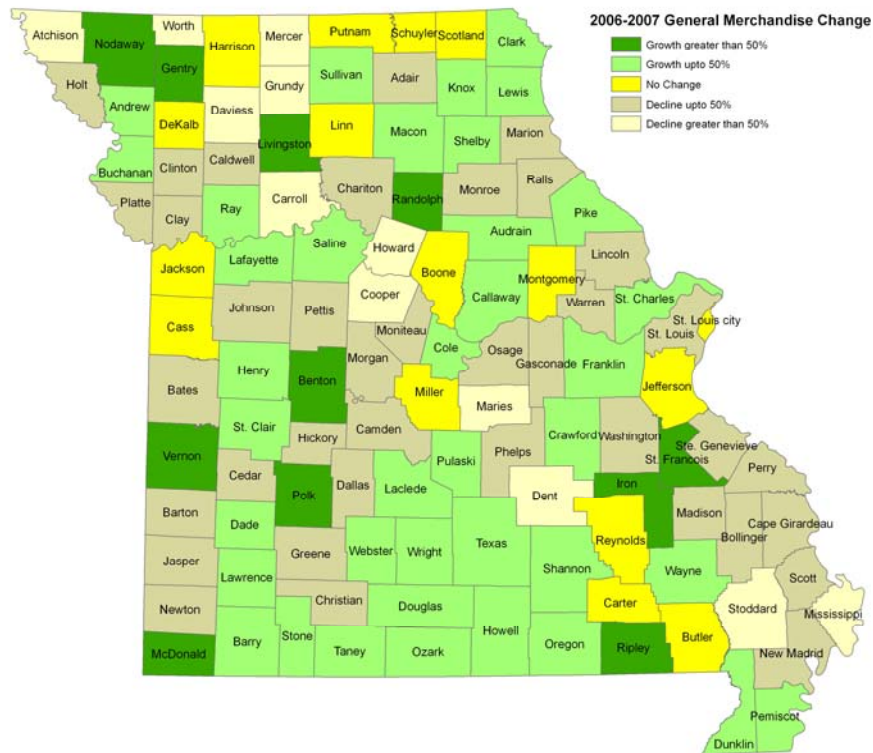
In 2007, Jackson and St. Louis County held a market share of greater than 9% in general merchandise. The market share of general merchandise products in Clay, St. Charles and Greene County was between 5 and 9%. Buchanan, Boone, Jasper, Jefferson and Cape Girardeau held a market share of nearly 5%.

Between 2006 and 2007, general merchandise retail sales grew by more than 50% in 11 rural counties. General merchandise retail sales grew nearly 50% in southern Ozark region and northeastern part of the state. 16 counties including St. Louis city showed no change in general merchandise retail sales. 38 metropolitan and surrounding counties showed a decline in retail market share of general merchandise, with 12 counties showing a drop of more than 50%.

General Merchandise Retail Trade Market Share across Missouri, 2007



2006-2007 Change in General Merchandise Retail Sales across Missouri



Conclusions

Retail sales in Missouri were at its peak in 2001 at \$46 billion, declined to \$43.11 billion in 2004 and rebounded to \$45.73 billion in 2006. Between 2004 and 2007, the number of retail establishments plunged about 3%. Retail establishments have been consolidating more than ever to stay competitive in the market. The number of retail jobs grew at only 1.3% between 2004 and 2007. The average wage per worker in the retail industry is still below the state average wage and there is limited employment growth in the retail sector because the retail market is tight with very low profit margins.

In 2007, the breakout of retail sales in Missouri are as follows - general merchandise (23%), miscellaneous retail (18%), food (17%), eating and drinking places (17%), furniture and home furnishings (10%), building materials (6%), automotive dealers and gasoline stations (5%) and apparel and accessories (4%). Between 2000 and 2007, the single largest increase in retail was in general merchandise at \$6.87 billion, whereas the steepest decline was in miscellaneous retail at \$9.41 billion.

The increase in general merchandise sales was the result of a shift in consumer shopping preferences from small miscellaneous retailers and food retailers to national chain retailers. The loss in miscellaneous retail sales were also partly due to internet, mail-order, phone and catalog sales. Over a seven-year period, consumers spent more at food and drinking places whereas the expenditure on food retail sales declined. Consumer expenditure on furniture and home furnishing as well as building materials increased during the housing boom and declined with the sub-prime mortgage crisis. Consumer expenditure stayed even for apparel and accessories across the years. Consumer expenditure stayed about the same for automotive and gasoline stations even as automotive and gasoline prices increased indicating that consumers bought fewer cars and drove fewer miles.

In 2007, 20 counties attracted retail customers from outside the county borders or residents spent more than the state average on retail goods and services. A majority of these counties are near metropolitan areas, regional trade centers and along major interstate highways and near tourism as well as retirement locations. In contrast, 95 counties lost retail customers across county borders or residents spent less than the state average on retail goods and services. These counties are located in the northern rural and agricultural areas, southern Ozark forest region and counties surrounding regional trade centers.

Between 2000 and 2004, retail trade grew in 35 counties, including 7 counties near regional trade centers that grew more than 25%. On the contrary, during the same time, retail trade plunged in 80 counties, with the largest decline in counties surrounding metropolitan and regional trade centers.

Between 2004 and 2007, retail trade grew in 67 counties, including 27 counties surrounding the regional trade centers and along the state border. Conversely, during the same time, retail trade tumbled in 48 counties that are located near regional trade centers and Ozark forest region. In some of the metropolitan counties, the retail pull factor displayed a decline of up to 25% because

residents in these counties have a relatively higher income on average and spent a smaller proportion of their income than the rest of the state on retail goods and services.

Retail trade underwent a transformation with the entry of big stores in regional trade centers and metropolitan areas. With the increased concentration of national chain stores, customers have changed their spending patterns by shying away from small retailers to save money and time. The brunt of this paradigm shift is borne by small retail stores who are running out of business. The exit of small retail stores is a major concern for economic development and rural community leaders not only for the lost business but also sales tax losses due to purchase of local goods from nearby regional trade centers, as most of the big retail stores source their purchases from outside the region.

Competition in retail trade is driving the profit margins down. Retail stores compete with each other and in order to increase the volume of sales, offer discounts on merchandise, but in the process, cut into their own profits. To avoid loss of sales and customers, most retail stores within a locality offer a price-matching policy. Additionally, to retain customers, many retail stores offer customer-loyalty programs including discounts and coupons to returning customers. Some retail chain warehouses also offer volume discounts to customers on goods purchased at the club warehouse while charging the customers an annual membership fee.

Overall, in Missouri, Retail trade has been particularly strong in metropolitan areas, regional trade centers, along major interstate highways, tourist and retirement locations. Missouri's retail strength lies in general merchandise, miscellaneous retail, food retail, eating and drinking places and furniture retail stores. Community and economic development leaders need to work towards retention and expansion of the existing retail businesses. There is a wealth of opportunity to create retail opportunities and provide employment to skilled workers in the northwestern part of the state, Ozark forest region and northeastern part of the state.

Retail trade across eight sectors are analyzed and monitored by illustrating what retail goods are purchased, where the retail goods are purchased and how much is spent on the purchase of retail goods by Missourians. This study provides a benchmark of the retail power at the county-level, the customer base served by the retail industry and the quality of retail environment across Missouri. Areas of retail growth, decline are identified for each sector, so that community and economic development leaders can make informed decisions to create economic opportunities, strengthen the communities and sustain economic progress in Missouri.

Analysis and Research by Sreedhar Upendram

Missouri Department of Economic Development
Missouri Economic Research and Information Center
301 W High Street
P.O. Box 118
Jefferson City, MO 65102

www.missourieconomy.org